

**MINUTES OF THE
ECONOMIC DEVELOPMENT AND WORKFORCE SERVICES INTERIM COMMITTEE**
Wednesday, July 16, 2014 – 9:00 a.m. – Room 20 House Building

Members Present:

Sen. Aaron Osmond, Senate Chair
Rep. Rebecca P. Edwards, House Chair
Sen. Patricia W. Jones
Sen. Stuart C. Reid
Sen. Brian E. Shiozawa
Sen. Jerry W. Stevenson
Rep. Jim Bird
Rep. Rich Cunningham
Rep. Lynn N. Hemingway
Rep. Bradley G. Last
Rep. Ronda Rudd Menlove

Rep. Kraig Powell
Rep. Angela Romero
Rep. Dean Sanpei
Rep. Brad R. Wilson

Staff Present:

Mr. Benjamin N. Christensen, Policy Analyst
Mr. Peter Asplund, Associate General Counsel
Ms. Debra Hale, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Osmond called the meeting to order at 9:09 a.m.

MOTION: Rep. Hemingway moved to approve the minutes of the June 18, 2014, meeting. The motion passed unanimously. Sen. Shiozawa, Sen. Stevenson, Rep. Cunningham, Rep. Menlove, Rep. Powell, and Rep. Sanpei were absent for the vote.

2. Economic Development Incentives

Mr. Christensen provided an overview of a handout, "Key State Economic Development Incentives and Programs." He explained that the handout is based on statute and consultation with the Office of the Legislative Fiscal Analyst and the Governor's Office of Economic Development. Mr. Christensen explained many of the programs offered by the Governor's Office of Economic Development to entice businesses to expand or locate in the state.

Dr. Andrea Wilko, Chief Economist, Office of the Legislative Fiscal Analyst, referring to the handout, explained how the related incentives get incorporated into the budget and described potential liability to the state. She also reviewed the pros and cons of the costs of the programs.

Ms. Theresa A. Foxley, Managing Director, Corporate Recruitment and Business Services, Governor's Office of Economic Development, referred to a visual presentation describing the duties and mission of the services office regarding industrial promotion, the governor's vision for the state, and the tools and incentives of the state. She listed three pillars of success and sustainability as: 1) Post-Performance, 2) Single Taxpayer, and 3) Competition.

Ms. Foxley gave an overview of the Economic Development Tax Increment Financing program process, the costs and benefits to the state, and the program's performance. She reviewed the Industrial Assistance Fund, Business Expansion and Retention, Rural Fast Track, Economic Opportunities, and Enterprise and Recycling Market

Development Zones programs' costs and impact, as well as other tools and business services provided by the Governor's Office of Economic Development.

Ms. Sophia DiCaro, Interim Executive Director, Governor's Office of Economic Development, stressed the importance of understanding the distinction of how post-performance requirements of companies receiving incentives are measured. Utah companies that receive tax credits, she said, are audited annually to ensure requirements are met before businesses receive tax credit certificates.

3. Tourism Marketing Performance

Ms. Vicki Varela, Managing Director, Office of Tourism, Film, and Global Branding, introduced the the office's board members and staff and reviewed a visual presentation, "Measuring Success in Tourism Marketing," listing highlights of the office's efforts on: 1) digital advertising, 2) content testing, and 3) tax dollars generated. She said that the office is working to develop a more rigorous analysis of what it is generating.

Ms. Natalie Gochmour, Bureau of Economic and Business Research (BEBR), Associate Dean, David Eccles School of Business, University of Utah, spoke of the benefits of living in a state with many beautiful areas. She reviewed the Tourism Marketing Performance Fund and explained that the fund challenges the tourism industry to continue to receive state funds by performing well, thereby generating more revenue for the state.

She said BEBR has reviewed the current formula of the fund and made recommendations to refine and improve it to better reflect tourism performance. She reviewed a handout, "TMPF Analysis" memorandum, BEBR's evaluation of Utah's Tourism Marketing Performance Fund and its recommendations for tourism performance.

Ms. Gochmour said the analysis found several needed improvements:

- 1) Do not include an entire industry—only include the part of an industry that is related to tourism.
- 2) Exclude industries that should not be on the list.
- 3) Add additional industries that should be included.

Ms. Jennifer Leaver, Research Analyst, David Eccles School of Business, University of Utah, also reviewed the memorandum regarding ways to improve non-resident traveler spending.

Ms. Gochmour concluded by stating that the revised definition of "sales of tourism-oriented goods and services" and the TMPF formula, if applied correctly and consistently, would more accurately represent total tourist and traveler spending impacts in Utah than the current definition and formula.

MOTION: Rep. Wilson moved to direct committee staff to open a committee bill file to incorporate GOED's recommended changes to statutory provisions of the Tourism Marketing Performance Account. The motion passed unanimously. Sen. Stevenson, Rep. Bird, Rep. Edwards, and Rep. Menlove were absent for the vote.

4. Update of Title 63M, Chapter 1, Governor's Office of Economic Development

Mr. Asplund described how the attorney general's office is working with the Governor's Office of Economic Development to identify and clarify ambiguities, unclear language, conflicting definitions, and lack of organization in Utah Code Title 63M, Chapter 1, Governor's Office of Economic Development.

Ms. DiCaro expressed GOED's support and appreciation of this effort and stated that the office will move forward and work with staff to facilitate the necessary technical changes in the code.

MOTION: Rep. Cunningham moved to direct committee staff to open a committee bill file to address possible code revisions under Utah Code Title 63M, Chapter 1, Governor's Office of Economic Development. The motion passed unanimously. Rep. Bird, Rep. Edwards, Rep. Menlove, and Rep. Powell were absent for the vote.

5. Utah Workforce Services Code – Sunset Review (draft legislation)

Mr. Christensen said that the Utah Code includes the Legislative Oversight and Sunset Act, which provides for a systematic process to look at state programs and statute. He said the act has two purposes:

- 1) Automatically terminate programs that do not have a clear purpose.
- 2) Make improvements in existing programs.

He said that the responsibility rests with state agencies to seek reauthorization of their programs, the Legislative Management Committee assigns the sunset reviews to interim committees, and the chairs choose whether or not to place them on the agenda. He said that when the chairs place them on the agenda, the committee may consider the necessity of the programs to the health, safety, and welfare of the public, whether the program accomplishes its objectives, and whether the program can be improved going forward. He explained the committee then has five options:

- 1) Allow the program to expire.
- 2) Reauthorize the program for a maximum of ten years.
- 3) Repeal the program.
- 4) Remove the program from the Sunset Act.
- 5) Improve the program.

Mr. Geoffrey Landward, Deputy Director, Department of Workforce Services, formally requested the committee to reauthorize Utah Code Title 35A, Utah Workforce Services Code.

MOTION: Sen. Shiozawa moved to direct staff to open a committee bill file to remove the sunset provision in Utah Code Title 35A, Utah Workforce Services Code. The motion passed unanimously. Sen. Jones, Rep. Bird, Rep. Cunningham, Rep. Edwards, Rep. Menlove, and Rep. Powell were absent for the vote.

MOTION: Sen. Shiozawa moved to direct staff to open a committee bill file and work with the Department of Workforce Services to revise Utah Code Title 35A, Utah Workforce Services Code.

6. Other Committee Business / Adjourn

MOTION: Rep. Wilson moved to adjourn the meeting. The motion passed unanimously. Sen. Jones, Rep. Bird, Rep. Cunningham, Rep. Edwards, Rep. Menlove, and Rep. Powell were absent for the vote.

Chair Osmond adjourned the meeting at 11:16 a.m.